

STRENGTHEN SOCIAL SECURITY

...don't cut it.

September 28, 2012

The Honorable Sam Johnson
Chairman
Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

The Honorable Xavier Becerra
Ranking Member
Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Johnson and Ranking Member Becerra:

We appreciate the opportunity to submit a statement for the record for the September 14, 2012 hearing on the future of the Social Security Disability Insurance (SSDI) system.

Social Security's Disability Insurance protection is an integral and vital part of the Social Security system. Disability insurance is a benefit rarely offered by private employers, yet crucial for basic economic security. Any one of us can suffer a disabling accident or illness at any time. Indeed, the Social Security Administration notes that "a 20-year-old worker has a 3-in-10 chance of becoming disabled before reaching retirement age."¹ Without the ability to earn wages and without disability insurance, most of us would be destitute. Indeed, without Social Security's modest but vital benefits, 55 percent of people with serious and permanent disabilities and their families would be in poverty.²

The definition of who is disabled is quite restrictive. In order to qualify for disability benefits, workers must not only have worked and contributed to Social Security for enough quarters to be insured, they must be unable to work in any gainful employment anywhere in the country due to a severely disabling condition that is expected to last for 12 months or longer, or result in death. Even when so severely disabled, the decision to apply for SSDI benefits is not something that most individuals take lightly. Indeed, it is frequently a last resort after a worker has exhausted his or her other options for staying in or re-entering the workforce. These benefits – which average only \$1,060 a month or \$12,720 a year, significantly less than full time minimum wage work – are extremely modest by virtually any measure.³

¹ Social Security Administration, Disability Planner: Social Security Protection If You Become Disabled. Accessed at <http://www.ssa.gov/dibplan/>.

² Social Security Administration, Income of Disabled-Worker Beneficiaries, 2001. Accessed at http://www.ssa.gov/policy/docs/chartbooks/income_workers/di_chart.pdf.

³ Table 4. Number and average monthly benefit, by sex and age, December 2011. In Social Security Administration (2012). Annual Statistical Report on the Social Security Disability Insurance Program, 2011. http://www.ssa.gov/policy/docs/statcomps/di_asr/2011/sect01b.html#table4.

Importantly, too, under some circumstances an adult child of a disabled, retired or deceased parent is eligible for Social Security benefits if severely disabled before age 22, a critical benefit for nearly one million dependent adult children and their parents.⁴

Many in Washington on both sides of the aisle have talked about the need to strengthen the SSDI system. However, “strengthening” SSDI is most often discussed in terms of ensuring that the program is solvent. While there is no doubt that this is important, it is important to remember that solvency is simply a means to an end. The goal of Social Security’s disability insurance is to provide a foundation of economic support in the event that a worker and his or her family lose wages as a result of a serious and permanent disability. For Social Security to fulfill this extremely important function, benefits must be adequate and accessible in a timely manner. In addition, of course, those benefits must be adequately financed.

As just stated, benefits are extremely low. Moreover, disabled workers and their families must wait an unconscionably long time simply to receive a determination of whether they qualify for benefits. Currently, the time to process an initial disability claim is more than three months – 111 days for FY 2012.⁵ The average time that a disability claimant waits for a hearing decision is about 338 days.⁶ By law, those who do qualify must wait two years before qualifying for Medicare, even though people with disabilities generally have high medical needs.

Given the considerable backlog of disability claims, more attention is needed to improve the ability of beneficiaries to access the benefits that they have earned. Lengthy waits can cause individuals who have earned SSDI benefits to suffer from considerable financial difficulties, and even medical problems if they are forced to forgo needed treatment. Claim processing times have been attributable at least in large part to inadequate funding for the Social Security Administration. In recent years, the Social Security Administration has seen almost no increase in its administrative funding, despite increases in the number of disability claims due primarily to demographic shifts and the growing number of applications and beneficiaries attributable to the aging of baby boomers and, in part, to the recession. This places considerable strain on SSA’s employees, as well as stress on beneficiaries when their benefits are delayed.

These delays are particularly troubling because the costs of administering the SSDI program are already paid for out of the payroll tax contributions of working Americans into the Disability Insurance Trust Fund. Moreover, unlike the general operating fund of the United States, which is currently running large deficits, the Old Age, Survivors, and Disability Insurance Trust Funds have an accumulated surplus of \$2.7 trillion – funds resulting in part from the wages of those disabled workers who are being denied timely determinations.

As you know, Social Security is the nation’s most fiscally conservative and responsible federal program. It is prohibited by law from paying benefits unless it has sufficient income and assets to cover the cost. While the Disability Insurance Trust Fund is projected to be unable to cover its costs in a few years, the DI Trust Fund, when viewed in combination with the Old Age and Survivors Insurance Trust Fund, can

⁴ Table 5.J1, Number of children, by state or other area and type of benefit, December 2011. In Social Security Administration (2012), Annual Statistical Supplement. Accessed at <http://www.ssa.gov/policy/docs/statcomps/supplement/2012/5j.html#table5.j10>.

⁵ Social Security Administration, Full Justification of Estimates For Appropriations Committees, February 2012. <http://www.ssa.gov/budget/2013FullJustification.pdf>.

⁶ *Id.*

cover all benefits for the next twenty years. Because the disability insurance part of Social Security is so intertwined with the old age and survivors portion, past Congresses have simply reallocated the FICA contributions between the two funds, so that they could be dealt with together in a deliberate, careful way.

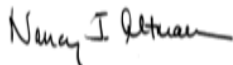
The disability insurance portion of Social Security is fundamentally sound, as is all of Social Security. According to Stephen C. Goss, the Chief Actuary, the recent increased costs of the disability insurance portion of Social Security are the result of several well-understood factors.⁷ The incidence of disability is higher among older workers and we have an aging work force. Moreover, women on average suffer higher incidences of disability than men, and populations of color suffer higher rates of disability, on average than whites. Over the last few decades, we have had an increasingly diverse work force. Notably, these demographic shifts are now in the process of stabilizing. Moreover, all Social Security beneficiaries receiving benefits from the Disability Insurance Trust Fund automatically begin to receive benefits from the Old Age Trust Fund when they reach full retirement age. Because the full retirement age has increased to 66 and will soon be 67, the Disability Insurance Trust Fund must provide benefits for one or two years longer.

We respectfully urge that this Congress follow the precedent of past Congresses and reallocate the percentage of FICA contributions going to the Social Security Trust Funds so that both will be projected to be able to pay all benefits in full and on time for the next two decades. Substantive changes to Social Security should not be considered as part of any deficit legislation, since cutting its benefits or increasing its revenue would not change the amount of federal debt subject to statutory limit.

When Social Security is addressed, the focus should be on adequacy of benefits and the ability of workers to access those benefits in a timely, efficient way, in addition to how those benefits should be paid for. We urge that those deliberations be held through the normal legislative process, in the sunshine, as they always have. Social Security is too important, too successful, and too popular to handle any other way.

Thank you again for this opportunity to share our views on the future of this essential program.

Sincerely,



Nancy Altman
Co-Chair, Strengthen Social Security Coalition



Eric Kingson
Co-Chair, Strengthen Social Security Coalition

⁷ Securing the Future of the Social Security Disability Insurance Program. Testimony by Steve Goss, Chief Actuary, Social Security Administration. Before the House Committee on Ways and Means, Subcommittee on Social Security, December 2, 2011.

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